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## Canada

### Grain and Feed

# Canadian Wheat Board Expands Payment Options for Wheat and Durum 2002

Approved by:

**Norval E. Francis, Jr.**

**U.S. Embassy**

Prepared by:

Matthew A. Cahoon

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#### **Report Highlights:**

The Canadian Wheat Board (CWB) announced more marketing choices for farmers for their 2002/03 crop. A new Fixed Price Contract (FPC) for durum will be offered on a trial basis and the Early Payment Option (EPO) will be extended to all classes of wheat, except durum. While these options represent additional tools for prairie farmers, they do not provide the same degree of flexibility that eastern wheat growers have via the Direct Marketing program offered by the Ontario Wheat Producer's Marketing Board (OWPMB) that allows producers to market 300,000 metric tons outside of the OWPMB.

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Includes PSD changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
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## **CWB Expands Payment Options for Durum and Wheat Growers**

The Canadian Wheat Board (CWB) announced more marketing choices for farmers for their 2002/03 crop. A new Fixed Price Contract (FPC) for durum will be offered on a trial basis and the Early Payment Option (EPO) will be extended to all classes of wheat, except durum.

"Farmers told us that they value the choice and the flexibility that payment options provide," stated Ken Ritter, Chairman of the CWB's farmer-controlled Board of Directors. "We've listened and expanded these programs so that farmers have more control over how their crops are priced and when they receive payment."

The FPC for durum will be offered starting with the announcement of the Pool Return Outlook (PRO) on May 23, 2002. It will enable farmers to lock in a price on a portion of the durum that they plan to commit to CWB delivery contracts in 2002/03. Like the existing FPC that the CWB offers for wheat, the FPC values for durum will be based on the PRO less a discount for risk, time value of money and program administration costs. The fixed price will be available daily via the CWB Web site. When farmers deliver to an elevator durum that has been assigned to an FPC, they will receive the initial payment. An additional payment, representing the difference between the initial payment and the fixed price, will be issued by the CWB within two weeks of delivery or settlement. These deliveries will be outside the durum pool and therefore will not be eligible for adjustment, interim or final payments.

The durum FPC will be offered as a pilot program in 2002/03. Limited opportunities for hedging in the durum market mean that contracted tonnage will be capped between 50,000 and 100,000 metric tons and accepted on a first-come, first-serve basis. Contract tonnage may be increased in future years.

The CWB will guarantee that farmers signing an FPC will be able to deliver at least 75% of the durum that they assign to 2002-03 delivery contracts up to the total tonnage committed to the FPC. For example, a farmer who will have a total 1000 tons to assign to CWB delivery contracts in the fall of 2002 should commit no more than 750 tonnes to an FPC for durum.

With the expansion of the Early Payment Option (EPO) to all classes of wheat (excluding durum) beginning August 1, 2002, farmers will be able to lock in 90% of the PRO for their crop, less a discount for risk, time value of money and program administration charges. Prior to this expansion, only Canada Western Red Winter (CWRW) and Canada Western Soft White Spring (CWSWS) wheat were eligible for the EPO.

When farmers deliver grain committed to an EPO, they receive the initial payment. Then, within two weeks of delivery, they receive an additional payment to bring their total returns up to 90% of the PRO. Participants in the EPO remain in the pool account. If adjustment, interim or final payments rise above the value that they have obtained under the EPO, these farmers receive the additional payments.

**Comments:**

The CWB, in its attempt to respond to criticisms that have been ongoing for several years that it does not provide enough flexibility to western Canadian farmers, has attempted to provide various marketing options. A previous barley pilot pricing option offered only managed to garner about 250 contracts. Industry sources claimed the discounts associated with the pilot pricing project were too much to make the contracts feasible. The EPO appear to be more of popular, as the CWB as deemed it reasonable to expand coverage from CWRW and CWSWS wheat to include all wheat classes except for durum wheat.

While both the FPC and EPO represent additional tools for western Canadian farmers, the fact that pricing is still based on the CWB PRO means that prairie farmers do not have the marketing flexibility offered to Ontario wheat farmers who are able to direct contract approximately one-quarter (300,000 metric tons) of the Ontario wheat crop outside of the Ontario Wheat Producer's Marketing Board.

The CWB appears unwilling to provide such marketing exemptions to prairie producers as this might possibly lead to increased pressure for a voluntary CWB.

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Contact FAS/Ottawa by e-mail: [info@usda-canada.com](mailto:info@usda-canada.com)